



# The United Arab Emirates (UAE): Issues for U.S. Policy

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## Summary

The UAE's open economy and society have won praise from advocates of expanded freedoms in the Middle East, but lax export controls, particularly in the emirate of Dubai, are causing U.S. concern over proliferation of advanced technology; terrorist transiting; and human trafficking. These concerns—as well as concerns about the UAE oversight and management of a complex and technically advanced initiative such as a nuclear power program—underscore some congressional and other opposition to a recently-signed U.S.-UAE civilian nuclear agreement.

Despite its social tolerance and economic freedom, the UAE government is authoritarian, although with substantial informal citizen participation and consensus building. The UAE federation President, Shaykh Khalifah bin Zayid al-Nuhayyan, technically serves a five year term, renewable by the Federal Supreme Council (composed of the seven heads of the individual emirates), although in practice changes usually only take place in the event of the death of a leader. After several years of resisting electoral processes similar to those instituted by other Gulf states, the UAE undertook its first major electoral process in December 2006, although with a small, hand-picked electorate and for a body with limited powers.

There remains little evidence of unrest, despite a severe economic downturn caused by the global financial crisis and recession, which has hit Dubai emirate particularly hard. Many expatriate workers are reportedly leaving UAE after widespread layoffs, particularly in the financial and real estate sectors.

This report will be updated. See also: CRS Report R40344, *The United Arab Emirates Nuclear Program and Proposed U.S. Nuclear Cooperation*, by Christopher M. Blanchard and Paul K. Kerr.

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## Governance, Human Rights, and Reform<sup>1</sup>

The United Arab Emirates (UAE) is a federation of seven emirates (principalities): Abu Dhabi, the oil-rich capital of the federation; Dubai, its free-trading commercial hub; and the five smaller and less wealthy emirates of Sharjah; Ajman; Fujayrah; Umm al-Qawayn; and Ras al-Khaymah. After Britain announced in 1968 that it would no longer ensure security in the Gulf, six “Trucial States” decided to form the UAE federation in December 1971; Ras al-Khaymah, joined in 1972. The UAE federation has completed a major leadership transition since the death of its key founder, Shaykh Zayid bin Sultan Al Nuhayyan, long-time ruler of Abu Dhabi and UAE President, on November 2, 2004.

His son, Crown Prince Shaykh Khalifa bin Zayid al-Nuhayyan, now about 62 years old, was named ruler of Abu Dhabi and, keeping with tradition, was subsequently selected by all seven emirates (Federal Supreme Council) as UAE president. The third son of Zayid, Shaykh Mohammad bin Zayid al-Nuhayyan, is Abu Dhabi Crown Prince and heir apparent. The ruler of Dubai traditionally serves concurrently as Vice President and Prime Minister of the UAE; that position has been held by Mohammad bin Rashid Al Maktum, architect of Dubai’s modernization drive, since the death of his elder brother Maktum bin Rashid Al Maktum on January 5, 2006. Shaykh Mohammad bin Rashid also continued as Defense Minister.

The federation President and Vice President technically serve five year terms, and the Federal Supreme Council is to meet by November 2009 to decide whether Shaykh Khalifa and Shaykh Mohammad will continue in those posts. In practice, posts at that level of leadership have changed only in the event of death of an incumbent.

### Basic Facts About UAE

Population	4.8 million, of which about 900,000 are citizens
Religions	96% Muslim, of which 16% are Shiite. 4% Christian and Hindu
Ethnic Groups	19% Emirati (citizenry); 23% other Arab and Iranian; 50% South Asian; 8% western and other Asian expatriate
Gross Domestic Product (purchasing power parity)	\$186 billion; GDP per capita is \$40,000 per year

Each emirate has its own leadership (Sharjah and Ras al-Khaymah have a common ruling family, the Al Qawasim tribe); all seven leaders sit on the Federal Supreme Council, the UAE’s highest decision-making body. It meets four times per year to establish general policy guidelines, although the leaders of the seven emirates consult frequently with each other. The other leaders are Dr. Sultan bin Muhammad Al Qassimi (Sharjah); Saqr bin Muhammad Al Qassimi (Ras al-

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<sup>1</sup> Information in this section is from the following State Department reports: Country Reports on Human Rights Practices-2008 (February 25, 2009); Supporting Human Rights and Democracy: The U.S. Record 2006 (April 5, 2007); Trafficking in Persons Report for 2008 (June 4, 2008); and International Religious Freedom report - 2007 (September 19, 2008).

Khaymah); Humaid bin Rashid Al Nuaimi (Ajman); Hamad bin Muhammad Al Sharqi (Fujayrah); and Saud bin Rashid Al-Mu'alla (Umm al-Qawayn). Shaykh Saud of Umm al-Qawayn, who is about 57 years old, was named leader of that emirate in January 2009 upon the death of his father, Shaykh Rashid Al-Mu'alla. In Ras al-Khaymah, Shaykh Khalid bin Saqr Al Qassimi claims to remain as Crown Prince even though Shaykh Saqr replaced him in that position with Shaykh Khalid's younger brother in 2003.

In part because of its small size, the UAE is one of the wealthiest of the Gulf states, as shown in the table above, and there is little unrest. Islamist movements in UAE, including those linked to the Muslim Brotherhood, are generally non-violent and perform social and relief work. UAE residents of Iranian origin tend to oppose governmental criticism of Iran, but this community does not constitute an organized opposition to the UAE government.

Despite or perhaps because of the lack of significant opposition, the UAE has long lagged on political reform. UAE leaders long resisted instituting any electoral processes, even as such elections began to expand in the other Gulf states, arguing that elections would inevitably aggravate long dormant schisms among tribes and clans, and potentially cause Islamist parties to become more radical. Political parties are not permitted. UAE leaders said that UAE citizens are able to express their concerns directly to the leadership through traditional consultative mechanisms, such as the open majlis (council) held by many UAE leaders.

The UAE leadership relented in December 2006, and instituted a limited and controlled electoral process for half of the 40-seat Federal National Council (FNC); the other 20 seats continue to be appointed. Previously, all 40 members of the FNC were appointed by all seven emirates. The seat distribution of the FNC remains weighted in favor of Abu Dhabi and Dubai (eight seats each). Sharjah and Ras al-Khaymah have six each; and the others have four seats each. According to the State Department, in 2008 the government accepted 80% of the FNC's recommendations on legislation.

In the voting, a 6,690-person "electorate" (100 electors per FNC seat; each elector appointed by emirate leaderships) chose among 456 candidates for the 20 FNC elected seats. 1,200 of the electors were female, as were 65 candidates were female, but only one woman won (from Abu Dhabi). Another eight women were appointed to the remaining 20 seats. UAE plans are to gradually expand the size of the FNC and to broaden its powers, according to the Minister of State for FNC Affairs (and now also Minister of State for Foreign Affairs) Anwar Gargash. The FNC can review, but not enact or veto, federal legislation, and it can question, but not impeach, federal cabinet ministers. It has questioned government ministers mostly on economic and social issues. Its sessions are open to the public. Each emirate also has its own consultative council.

## **Human Rights Issues**

Freedom of assembly is forbidden by law, but in practice small demonstrations on working conditions and some other issues have been tolerated. On several occasions, foreign laborers working on the large, ambitious construction projects in Dubai have conducted strikes to protest poor working conditions and non-payment of wages. Some of these concerns have been or are being addressed by the Labor Ministry's recent penalizing of employers, and a new process, formulated in June 2008, to have workers' salaries deposited directly in banks.

Progress on women's political rights has been steady. There are now four women in the cabinet: Shayha Lubna al-Qassimi, Minister of Economy and Planning; Mariam al-Roumi, Minister of

Social Affairs; and two ministers without portfolio – Reem al-Hashimi and Maitha al-Shamsi. Nine women are in the Federal National Council, and seven women serve on the 40 seat consultative council in Sharjah emirate. About 10% of the UAE diplomatic corps is now female; none served prior to 2001. In November 2008, Dubai emirate appointed ten female public prosecutors.

Some cabinet choices signal commitment to reform, including Shaykh Abdullah bin Zayid al-Nuhayyan as Foreign Minister and Anwar Gargash, mentioned above. Shaykh Abdullah's former post of Information Minister was abolished in 2006 to allow media independence. On the other hand, as of April 2009, a draft media law is drawing opposition from some human rights groups who say it would continue to provide for penalties against journalists who personally criticize UAE leaders. Provisions governing media licensing to not clearly articulate the standards the government will apply in approving or denying licenses for media organs to operate. The UAE government says the draft law will not apply to the several media "Free Zones" in UAE in which major foreign media organizations operate.

On other areas, the UAE record is less positive. The referenced State Department reports point out numerous restrictions such as on free assembly, freedom of speech, and workers' rights, and flogging penalties imposed by some courts. On religious freedom, non-Muslims in UAE are free to practice their religion; there are 24 Christian churches built on land donated by the ruling families of the various emirates, but there are no Jewish synagogues or Buddhist temples. The Shiite Muslim minority is free to worship and maintain its own mosques, but Shiite mosques receive no government funds and there are no Shiites in top federal posts. In 2007, human rights groups criticized the conservative-dominated justice system for threatening to prosecute a 15 year old French expatriate for homosexuality, a crime in UAE, when he was raped by two UAE men; the UAE men were later sentenced for sexual assault and kidnapping.

The United States has sought to promote democracy, rule of law, and civil society in the Persian Gulf region. Some State Department programs to promote student and women's political participation, entrepreneurship, legal reform, civil society, independent media, and international trade law compliance, are funded by the State Department's Middle East Partnership Initiative (MEPI), and the U.S. Embassy in Abu Dhabi contains a Gulf-wide MEPI/democracy promotion office.

Other social problems might be a result of the relatively open economy of the UAE, particularly in Dubai. The Trafficking in Persons report for 2008 placed the UAE in "Tier 2" (up from Tier 2/Watch List in 2007 and from Tier 3 in 2005) because it does not comply with the minimum standards for the elimination of trafficking but is making significant efforts to do so. The UAE is considered a "destination country" for women trafficked from Asia and the former Soviet Union. The improved 2008 rating appeared to be a recognition of some implementation of a December 2006 law prohibiting trafficking in persons. The UAE has made progress in curbing trafficking of young boys as camel jockeys: it has repatriated at least 1,050 children out of a suspected 5,000 trafficked for camel racing, provided \$3 million for their care and repatriation, and it now uses robot jockeys at camel races.

## **Cooperation Against Terrorism and Proliferation**

These issues are of particular concern to the United States because of absent or lax enforcement of existing export and border controls. The relatively small sums of U.S. aid to UAE are generally

for programs to improve UAE performance on enforcing export control laws. The UAE was one of only three countries (Pakistan and Saudi Arabia were the others) to have recognized the Taliban during 1996-2001 as the government of Afghanistan. During Taliban rule, the UAE allowed Ariana Afghan airlines to operate direct service, and Al Qaeda activists reportedly spent time there.<sup>2</sup> Two of the September 11 hijackers were UAE nationals, and they reportedly used UAE-based financial networks in the plot. Since then, the UAE has been credited in U.S. reports (State Department “Country Reports on Terrorism: 2007, released April 30, 2008”) with assisting in the arrests of senior Al Qaeda operatives;<sup>3</sup> denouncing terror attacks; improving border security; prescribing guidance for Friday prayer leaders; investigating suspect financial transactions; and strengthening its bureaucracy and legal framework to combat terrorism. In December 2004, the United States and Dubai signed a Container Security Initiative Statement of Principles, aimed at screening U.S.-bound containerized cargo transiting Dubai ports. Under it, U.S. Customs officers are co-located with the Dubai Customs Intelligence Unit at Port Rashid in Dubai.

In connection with revelations of illicit sales of nuclear technology to Iran, Libya, and North Korea by Pakistan’s nuclear scientist A.Q. Khan, Dubai was named as a key transfer point for Khan’s shipments of nuclear components. Two Dubai-based companies were apparently involved in trans-shipping components: SMB Computers and Gulf Technical Industries.<sup>4</sup> On April 7, 2004, the Administration sanctioned a UAE firm, Elmstone Service and Trading FZE, for allegedly selling weapons of mass destruction-related technology to Iran, under the Iran-Syria Non-Proliferation Act (P.L. 106-178). In June 2006, the Bureau of Industry and Security (BIS) released a general order imposing a license requirement on Mayrow General Trading Company and related enterprises in the UAE. This was done after Mayrow was implicated in the transshipment of electronic components and devices capable of being used to construct improvised explosive devices (IED) used in Iraq and Afghanistan.<sup>5</sup> In February 2007 the Administration threatened to form a new category of control called “Destinations of Diversion Control” with UAE as the intended designee country. In connection with the FNC approval of a law strengthening export controls (April 2007), the Administration did not create that category. In September 2007, the UAE used the new law to shut down 40 foreign and UAE firms allegedly involved in dual use exports to Iran and other countries.

Allegations continued in January 2009 with the publication by the Institute for Science and International Security of a report entitled “Iranian Entities’ Illicit Military Procurement Networks,” published January 12, 2009. The report asserts that Iran has used UAE companies to obtain technology from U.S. suppliers, and that the components obtained have been used to construct improvised explosive devices (IED’s) shipped by Iran to militants in Iraq and Afghanistan. Other UAE companies the report alleges were involved in this network included not only Mayrow but also Majidco Micro Electronics, Micatic General Trading, and Talinx Electronics.

Despite the UAE efforts to enhance its export controls, in December 2008 some Members of Congress called for a review by the inter-agency “Committee on Foreign Investment in the

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<sup>2</sup> CRS conversations with executive branch officials, 1997-2000.

<sup>3</sup> “U.S. Embassy to Reopen on Saturday After UAE Threat.” *Reuters*, March 26, 2004.

<sup>4</sup> Milhollin, Gary and Kelly Motz. “Nukes ‘R’ US.” *New York Times* op.ed. March 4, 2004.

<sup>5</sup> BIS, “General Order Concerning Mayrow General Trading and Related Enterprises,” 71 *Federal Register* 107, June 5, 2006.



United States” (CFIUS) of a proposed joint venture between Advanced Micro Devices and Advanced Technology Investment Co. of Abu Dhabi for the potential for technology transfers. In February 2006, CFIUS approved the takeover by the Dubai-owned “Dubai Ports World” company of a British firm that manages six U.S. port facilities. Members, concerned that the takeover might weaken U.S. port security, opposed it in P.L. 109-234, causing the company to divest assets involved in U.S. port operations (divestment completed in late 2006 to AIG Global Investments). Little opposition was expressed to a September 2007 Borse Dubai plan to take a 20% stake in the NASDAQ stock market, or to a November 2007 investment of \$7.5 billion in Citigroup by the Abu Dhabi Investment Authority (ADIA), which manages excess oil revenues estimated at over \$500 billion.

## **Nuclear Agreement**

It is the concern about the leakage of technology to Iran, via the UAE, that underpins much of the concern about a U.S.-UAE agreement, signed January 15, 2009, to help the UAE develop a nuclear power program. The agreement would be subject to conditions specified in Section 123 of the Atomic Energy Act of 1954 [42 U.S.C. 2153(b)], and is subject to congressional approval. On November 14, 2008, President Bush issued a determination (No. 2009-7) approving of bilateral nuclear cooperation under Section 123. In the 111<sup>th</sup> Congress, the concerns are encapsulated in H.R. 364, which would require the President to certify that the UAE has taken a number of steps to stop illicit trade with Iran before any agreement would take effect. See: CRS Report R40344, *The United Arab Emirates Nuclear Program and Proposed U.S. Nuclear Cooperation*, by Christopher M. Blanchard and Paul K. Kerr

## **Defense and Foreign Policy**

Following the 1991 Gulf war to oust Iraqi forces from Kuwait, the UAE, whose armed forces number about 60,000, determined that it wanted a closer relationship with the United States. The UAE did not necessarily fear Iraq, which is at the north end of the Persian Gulf, but rather the UAE sought primarily to deter and balance out Iranian power. UAE fears escalated in April 1992, when Iran asserted complete control of the largely uninhabited Persian Gulf island of Abu Musa, which it and the UAE shared under a 1971 bilateral agreement. (In 1971, Iran, then ruled by the U.S.-backed Shah, seized two other islands, Greater and Lesser Tunb, from the emirate of Ras al-Khaymah, as well as part of Abu Musa from the emirate of Sharjah.)

## **Relations With Iran**

In October 2008, the UAE and Iran signed an agreement to establish a joint commission to resolve the dispute; that agreement came two months after the UAE protested Iran’s opening in August 2008 of administrative and maritime security offices on Abu Musa. Iran has allowed Sharjah to open power and water desalination facilities on the island. The United States is concerned about Iran’s control over the islands, but takes no position on sovereignty of the islands. The UAE, particularly Abu Dhabi, has long feared that the large Iranian-origin community in Dubai emirate (est. 400,000 persons) could pose a “fifth column” threat to UAE stability. Illustrating the UAE’s attempts to avoid antagonizing Iran, in May 2007, Iranian President Mahmoud Ahmadinejad was permitted to hold a rally for Iranian expatriates in Dubai when he made the first high level visit to UAE since UAE independence in 1971. Still, reflecting

the underlying tensions and volatility of UAE-Iran relations, the two countries issued mutual recriminations in January 2009 over the UAE decision in late 2008 to begin fingerprinting Iranian visitors to UAE.

On the Arab-Israeli dispute, in 1994 the UAE joined with the other Gulf monarchies in ending enforcement of the Arab League's boycott of companies doing business with Israel and on companies that deal with companies that do business with Israel. The UAE formally bans direct trade with Israel, although UAE companies reportedly do business with Israeli firms and some Israeli diplomats attend multilateral meetings in the UAE. Unlike Qatar and Oman, the UAE did not host multi-lateral Arab-Israeli working groups on regional issues when those talks took place during 1994-1998. In 2007, the UAE joined a "quartet" of Arab states (the others are Saudi Arabia, Egypt, and Jordan) to assist U.S. diplomacy on Israeli-Palestinian issues. In December 2008 and January 2009, the UAE government permitted street demonstrations in support of Hamas during its war with Israel. In February 2009, the UAE denied a visa to an Israeli tennis player who was to participate in a Dubai tennis tournament, earning UAE some international criticism.

## **U.S.-UAE Defense Cooperation**

The framework for U.S.-UAE defense cooperation is a July 25, 1994, bilateral defense pact, the text of which is classified, including a "status of forces agreement" (SOFA). Under the pact, during the years of U.S. "containment" of Iraq (1991-2003), the UAE allowed U.S. equipment pre-positioning and U.S. warship visits at its large Jebel Ali port, capable of handling aircraft carriers, and it permitted the upgrading of airfields in the UAE that were used for U.S. combat support flights, during Operation Iraqi Freedom (OIF).<sup>6</sup> About 1,800 U.S. forces, mostly Air Force, are in UAE, up from 800 before OIF; they use Al Dhafra air base (mostly KC-10 refueling) and naval facilities at Fujairah to support U.S. operations in Iraq and Afghanistan, even though UAE officials say that the OIF benefitted Iran strategically. The UAE has provided facilities for Germany to train Iraqi police. It pledged \$215 million for Iraq reconstruction but has provided funds not in cash but in the form of humanitarian contributions (\$71 million as of December 2007). Agreeing with the U.S. view that Sunni Arab states need to engage the Shiite dominated government in Baghdad, in June 2008, the UAE appointed an Ambassador to Iraq, the first Arab country to do so. The following month it wrote off \$7 billion (including interest) in Iraqi debt. Abu Dhabi Crown Prince Shaykh Mohammad bin Zayid visited Iraq in October 2008.

Suggesting it wants to broaden its defense relations, in January 2008 the UAE signed an agreement with French President Nicolas Sarkozy to allow a French air and naval base near Abu Dhabi, which will reportedly be used by about 400 French military personnel.

## **U.S. Arms Sales**

The UAE views arms purchases from the United States as enhancing the U.S. commitment to UAE security. Until 2008, the most significant buy was the March 2000 purchase of 80 U.S. F-16 aircraft, equipped with the Advanced Medium Range Air to Air Missile (AMRAAM) and the HARM (High Speed Anti-Radiation Missile), a deal exceeding \$8 billion. Congress did not try to block the aircraft sale, but some Members questioned the AMRAAM as an introduction of the

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<sup>6</sup> Jaffe, Greg. "U.S. Rushes to Upgrade Base for Attack Aircraft." *Wall Street Journal*, March 14, 2003.

weapon into the Gulf. Among other sales with the potential to enhance the UAE's offensive capability, a sale of High Mobility Artillery Rocket Systems (HIMARS) and Army Tactical Missile Systems (ATACMs), valued at about \$750 million, notified on September 21, 2006. More recent sales to UAE, some with offensive potential, have been in concert with the U.S.-led "Gulf Security Dialogue," intended to help the Gulf states contain Iran. Among the most significant are the advanced Patriot anti-missile systems (PAC-3, up to \$9 billion value, notified December 4, 2007); kits for the Joint Direct Attack Munition (JDAM) kits (\$326 million value, notified January 3, 2008); and the Terminal High Altitude Air Defense System (THAAD), the first sale ever of that sophisticated missile defense system (notified September 9, 2008, valued at about \$7 billion). Also notified on September 9, 2008 were sales to UAE of a surface launched AMRAAM (\$445 million value) and vehicle mounted "Stinger" anti-aircraft systems (\$737 million value). In conjunction with the international defense exhibit in Abu Dhabi in March 2009, the UAE signed agreements with Boeing Co. and Lockheed Martin Corp. to buy \$3 billion worth of military transport aircraft (C-17 and C-130, respectively).

## **Cooperation in Afghanistan**

The UAE is assisting the U.S. and international mission to stabilize Afghanistan. Despite the small size of its military force, a 250 person contingent of UAE troops have been serving in Afghanistan since 2004. The UAE forces, the only Arab combat forces in Afghanistan, are operating in the restive southern part of Afghanistan, particularly Uruzgan Province, where they appear to be welcomed by the Muslim population there. The UAE also has pledged a total of \$323 million in economic aid for Afghanistan since the fall of the Taliban. In addition, Abu Dhabi hosted the November 2008 meeting of the "Friends of Pakistan" donors group that is attempting to help Pakistan through its financial difficulties.

## **Economic Issues**

The UAE, a member of the World Trade Organization (WTO), has developed a free market economy. Partly as result, the UAE, particularly experienced apparent "bubbles" in real estate prices and other assets, and has been hurt significantly by the global economic downturn. Abu Dhabi has been hurt by the fall in oil prices, but its reliance on oil has given it a certain financial cushion, relative to Dubai, which relies almost entirely on trade, financial products, investment in big projects, such as the "Atlantis Hotel Dubai," and tourism. Abu Dhabi has 80% of the federation's proven oil reserves of about 100 billion barrels, enough for over 100 years of exports at the current production rate of 2.2 million barrels per day (mbd). About 2.1 mbd are exported, but negligible amounts go to the United States. The federal government has used some of the countries purported \$700 billion "sovereign wealth fund" to inject into Dubai banks to help them ride out the downturn. The severe recession has resulted in widespread layoffs in UAE and the departure of thousands of foreign workers, who often have abandoned cars and properties that were financed, leaving UAE banks with additional non-performing loans.<sup>7</sup> Real estate prices fell about 30% - 40% in late 2008 alone.

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<sup>7</sup> Worth, Robert. "Laid Off Foreigners Flee as Once Booming Dubai Spirals Down." *New York Times*, February 12, 2008.

On November 15, 2004, the Administration notified Congress it had begun negotiating a free trade agreement (FTA) with the UAE. Several rounds of talks were held prior to the June 2007 expiration of Administration “trade promotion authority,” but progress was been halting. In 2008, the United States sold about \$15.7 billion worth of goods to UAE, mostly machinery, aircraft, industrial materials, and other high value items. The United States imported \$1.3 billion in goods from UAE, mostly clothing and oil, as well as diamonds that are widely sold there.

The UAE is seeking to diversify its energy production and consumption to plan for the day when the developed world is no longer reliant on oil imports. While well endowed with oil, the UAE lacks non-associated natural gas. It has entered into a deal with neighboring gas exporter Qatar to construct pipeline that will bring Qatari gas to UAE (Dolphin project). The nuclear power program, discussed above, is also intended to address the country’s fast growing energy consumption, although the global economic downturn has also served that purpose, at least temporarily.

**Table I. Recent U.S.Aid to UAE**

	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009 (est.)</b>
NADR (Non-Proliferation, Anti-Terrorism, De-Mining, and Related) - Counter-Terrorism Programs (ATA)	\$1.409 million		\$725,000
NADR-Combating WMD	\$172,000	\$300,000	\$200,000
International Military Education and Training (IMET)		\$14,000	\$15,000

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